

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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## MEMORANDUM

TO: Andover Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: October 5, 2021

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on August 1 of each fiscal year. The schedule is effective in FY22 (since the amount under the prior schedule was maintained in FY22) and is acceptable under Chapter 32.

The revised schedule reflects a reduction in the investment return assumption from 6.25% to 5.75% and a slight adjustment to the mortality improvement scale.

The Board adopted a schedule that completes the amortization of the unfunded actuarial liability (UAL) in FY40 and has appropriation payments that increase annually by 7.37%. Note that the schedule continues beyond our FY35 recommended date to complete the amortization of the UAL. In addition, the UAL is expected to increase (negative amortization continues) until FY27 which is well past our recommendation to eliminate negative amortization immediately. In short, the System has very limited flexibility in the event of a market downturn, future actuarial losses, or changes in assumptions that increase the plan's liability, and it is possible appropriation increases in excess of 7.37% may be required as part of the 2023 or future actuarial valuations.

The schedule is based on an actuarial valuation using an investment return assumption of 5.75%, which we believe is quite conservative for funding purposes. For comparison, we did a very rough estimate of plan liabilities using a 7.0% discount rate. Under this assumption the plan would have an unfunded liability of approximately \$151 million and would complete the amortization of the UAL in FY37, using the same 7.37% annual increase.

If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

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Enc.



## SECTION 3 - CHAPTER 32 OF M.G.L. APPROPRIATIONS

Exhibit 3.1 - 30-Year Forecast of Annual Appropriations

Fiscal Year Ending	Employer Normal Cost	Amortization Payment of UAL	Net 3(8)(c) Transfers	Total Employer Cost	Increase over Prior Year	Unfunded Actuarial Accrued Liability
2022	\$5,376,067	\$7,653,790	\$0	\$13,029,857		\$193,475,186
2023	5,564,230	8,265,929	160,000	13,990,159	7.37%	196,765,832
2024	5,758,978	9,262,254	-	15,021,232	7.37%	199,619,126
2025	5,960,542	10,167,755	-	16,128,297	7.37%	201,616,676
2026	6,169,161	11,147,791	-	17,316,952	7.37%	202,802,243
2027	6,385,081	12,208,130	-	18,593,211	7.37%	203,052,847
2028	6,608,560	13,354,971	-	19,963,531	7.37%	202,232,531
2029	6,839,860	14,594,983	-	21,434,843	7.37%	200,191,176
2030	7,079,254	15,935,337	-	23,014,591	7.37%	196,763,207
2031	7,327,027	17,383,739	-	24,710,766	7.37%	191,766,186
2032	7,583,473	18,948,477	-	26,531,950	7.37%	184,999,297
2033	7,848,895	20,638,458	-	28,487,353	7.37%	176,241,697
2034	8,123,607	22,463,266	-	30,586,873	7.37%	165,250,723
2035	8,407,933	24,433,191	-	32,841,124	7.37%	151,759,953
2036	8,702,210	26,559,305	-	35,261,515	7.37%	135,477,111
2037	9,006,788	28,853,500	-	37,860,288	7.37%	116,081,782
2038	9,322,026	31,328,566	-	40,650,592	7.37%	93,222,957
2039	9,648,297	33,998,244	-	43,646,541	7.37%	66,516,350
2040	9,985,988	36,719,731	-	46,705,719	7.01%	35,541,515
2041	10,335,497	-	-	10,335,497	-77.87%	-
2042	10,697,239	-	-	10,697,239	3.50%	-
2043	11,071,643	-	-	11,071,643	3.50%	-
2044	11,459,151	-	-	11,459,151	3.50%	-
2045	11,860,221	-	-	11,860,221	3.50%	-
2046	12,275,328	-	-	12,275,328	3.50%	-
2047	12,704,965	-	-	12,704,965	3.50%	-
2048	13,149,639	-	-	13,149,639	3.50%	-
2049	13,609,876	-	-	13,609,876	3.50%	-
2050	14,086,222	-	-	14,086,222	3.50%	-
2051	14,579,239	-	-	14,579,239	3.50%	-